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S E C R E T SECTION 01 OF 02 CONAKRY 000499

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TAGS: [EMIN](#) [ECON](#) [ETRD](#) [PGOV](#) [PREL](#) [GV](#)
SUBJECT: GUINEA'S DIAMOND CIRCUS

REF: CONAKRY 00478 CONAKRY 00490

Classified By: ECONOFF BRIANA WARNER FOR REASONS 1.4 (B) AND (D)

¶1. (S) Summary: EconOff attended a Kimberly Process (KP) diamond certification at the Central Bank on August 18 and met with a well-known Guinean diamond assessor on Aug 21. Both meetings shed light on the unregulated nature of Guinea's diamond industry as well as the level of inexperience evident throughout Guinea's diamond production and certification process. One meeting also raised the possibility that the largest diamond mine in Guinea may have links to Russia's illicit diamond trade. The CNDD does not seem interested in, or capable of, regulating the diamond trade. Technocrats in the Ministry of Mines who seem capable of fixing the system may be being pushed out by the military junta. END SUMMARY.

THE CERTIFICATION MESS

¶2. (C) On August 18, EconOff attended a routine diamond valuation and certification by the National Bureau of Expertise in Diamonds and Precious Metals (BNE). The BNE is the division of the Ministry of Mines that oversees the diamond valuation and the KP certification process. Three representatives from Mandala diamonds, a Guinean subsidiary of Stellar Diamonds Ltd., were in attendance to accompany their industrial, semi-industrial, and gem quality diamonds through the valuation process.

¶3. (C) The Head of the BNE, Madam Salle, was enthusiastic about showing EconOff the valuation process. After asking Mandala about their production, Salle and her team sat down to evaluate the price of the diamonds. During the evaluation, one representative from Mandala, who did not give his name, asked EconOff about American investment in the diamond industry. He went on to inquire about possible investment from Embassy personnel. He asked Econoff if anyone at the Embassy would be interested in coming to his office "to invest and make some money." When EconOff explained to him that her interest with the certification process was for KP compliance assessment only, the man quickly moved away and ceased commenting.

¶4. (C) The two other representatives of Mandala were much more forthcoming. They discussed the massive price devaluations within the diamond sector and told EconOff that valuation is currently floating around 50% lower than August 2008. They complained that many of the diamond mines in Guinea are struggling to survive at the moment, as they are

virtually unable to sell their industrial diamond stocks.

¶5. (C) As is required by the certification process, a representative from Customs came to verify the certification and sign the certificate. Upon arrival, he barely glanced at the diamonds on the table before vouching for their authenticity and volume. Salle then proceeded to ask the customs official to support geological training for the certifying officials, as those who do it now "have no training and no idea what they are looking at."

¶6. (C) Salle was eager to show EconOff the pile of high-quality gems on the table to prove that these types of diamonds do, in fact, come from Guinea. When asked how she determined the origins of these gems, Salle had no logical explanation. She simply stated that Mandala brought the diamonds from their mine in Guinea, and she takes them at face value. It seemed because she was told by the company that the diamonds were from a Guinean mine, Salle accepted their origin as such.

UNCONTROLLED MINING AND LINKS WITH RUSSIA

¶7. (C) EconOff met with Lamine Thiam, Mandala,s diamond assessor on August 21. A well-known diamond technician, Lamine was ARETOR,s main diamond assessor for nearly 15 years. According to Lamine, there is no real regulation mechanism for the diamond industry in Guinea. Lamine noted that there are only a few diamond mines operated by diamond

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experts. The others, he said, "are operated by a bunch of older Muslim Hajjies" and are almost totally unregulated. "In this industry, if you don,t live and work with a person, you can never be sure what their activities are."

¶8. (S) Lamine was very eager to share information about Bouna Keita, ARETOR,s new proprietor (reftel A). According to Lamine, Bouna is not serious about developing his new mine. Furthermore, Lamine said that Keita, in his partnership with Victor Kubiak, is rumored to be working with elements in Russian diamond-smuggling rings. He told EconOff that Keita has traveled to Antwerp several time to meet with Russian dealers who have engaged in shady diamond dealing in the past.

¶9. (C) On internal government affairs, Lamine said that his cousin, Minister of Mines Mahmoud Thiam, is slowly being edged out of his position. An American citizen and former UBS Vice President in New York, Thiam is considered by many as a skilled technocrat. However, Lamine said that Thiam is constantly at odds with the CNDD, as he sees Guinea,s economy crumbling under their poor economic management. Allegedly, Thiam feels undercut by his military colleagues and does not have much influence in decision making at the Ministry of Mines.

COMMENT

¶10. (C) It appears that little is known about the scale of diamond mining operations in Guinea as regulatory practices are more about processing paperwork than about enforcing rules. Guinea,s large diamond reserves, combined with political and economic instability, create opportunities for illicit activity and easy access to cash for criminal organizations. Bouna,s supposed connection to Russian criminal elements suggest that such illicit activity is already taking place.

¶11. (C) Lamine,s assessment of the shifting power structure within the Ministry of Mines may further exacerbate the effects of poor regulation. There are rumors that Thiam has been losing footing within the CNDD since March (reftel B),

and Dadis, creation of the Secretariat of State in Charge of Mines and Energy on August 20, may only weaken his hold on mining affairs.

BROKENSIRE